



EUROPEAN CENTRAL BANK

The international policy dimension of remittances and developments in the euro area neighbouring region

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Overview

- Motivations for ECB:
 - Euro area as global player for remittances (USD 25-30bn)
 - EU enlargement leads to institutional integration of sending and receiving countries
 - economic and political dimension of remittances
- Data and measurement issues
- Euro area experience
 - migration trends from ENR
 - economic impact for ENR and for euro area

International agenda of remittances

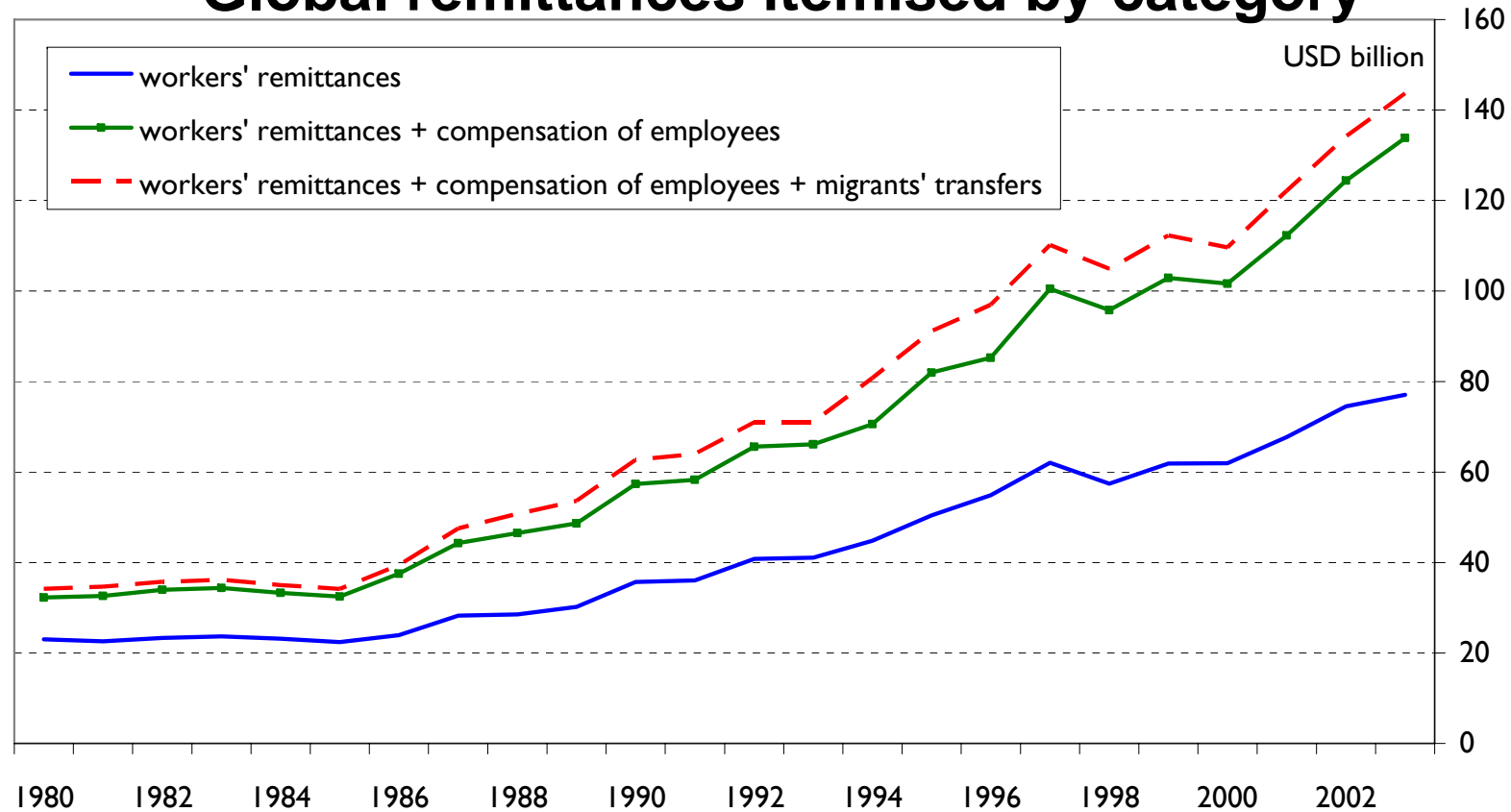
- Economic dimension
 - source of income, development finance
 - consumption, investment use?
 - relation with the business cycle?
 - relation with financial inclusion?
 - source of foreign exchange
 - stability?
 - non-debt creating flows in the balance of payments
 - monetary policy considerations for central banks
 - foreign exchange supply, monetary aggregates

International agenda of remittances

- Political dimension
 - money laundering, criminal activities
 - financing for terrorism
- International initiatives
 - G8 Sea Island initiative (2004):
 - Intl' technical meeting on measuring migrant remittances
 - Joint CPSS/WB task force on remittance systems
 - ECB participates in both of these groupings

Data and measurement issues

Global remittances itemised by category



Source: IMF, BOPS

Data and measurement issues

- High thresholds to record remittances
 - flows under EUR 12500 do not have to be reported in EU
 - varying reporting practices, little directional (bilateral) data
- Non-bank, non-transfer agency methods
 - contribute to underreporting of remittances
- Migrants' transfers (recorded under capital account)
- Compensation of employees (estimated, current acc)
- Workers' remittances (recoded, current acc)
 - 'one year rule' reinforces definitional issues
- Other data problems due to misreporting
 - in-kind transfers as imports, tourism, and capital inflows

Euro area experience: migrants from ENR

	Share in Euro area foreigners				Share in Euro area total population			
	<i>Mediterranean</i>	<i>Potential Cand.</i> <i>Countries</i>	<i>Candidate</i> <i>Countries</i>	<i>Total</i>	<i>Mediterra</i> <i>anean</i>	<i>Potential Cand.</i> <i>Countries</i>	<i>Cadidate</i> <i>Countries</i>	<i>Total</i>
AT	1.8	20.9	29.2	52.0	0.2	2.6	3.7	6.5
BE	13.7	7.3	2.0	23.0	1.5	0.8	0.2	2.5
DE	0.4	14.8	4.3	19.5	0.1	1.8	0.5	2.3
ES	16.3	4.1	0.2	20.6	0.9	0.2	0.0	1.1
FI	2.5	2.6	0.5	5.6	0.1	0.1	0.0	0.1
FR	40.5	3.7	0.2	44.5	4.1	0.4	0.0	4.5
GR	4.0	12.7	36.5	53.2	0.4	1.3	3.8	5.5
IE	0.9	1.9	0.5	3.3	0.1	0.2	0.1	0.3
IT	13.9	8.2	11.3	33.3	0.5	0.3	0.4	1.3
LU	1.0	0.9	6.1	8.0	0.3	0.3	2.0	2.6
NL	11.6	11.7	3.4	26.6	1.2	1.2	0.3	2.7
PT	0.3	0.6	0.1	0.9	0.0	0.0	0.0	0.1
Total	13.4	9.9	5.7	28.9	1.2	0.9	0.5	2.6

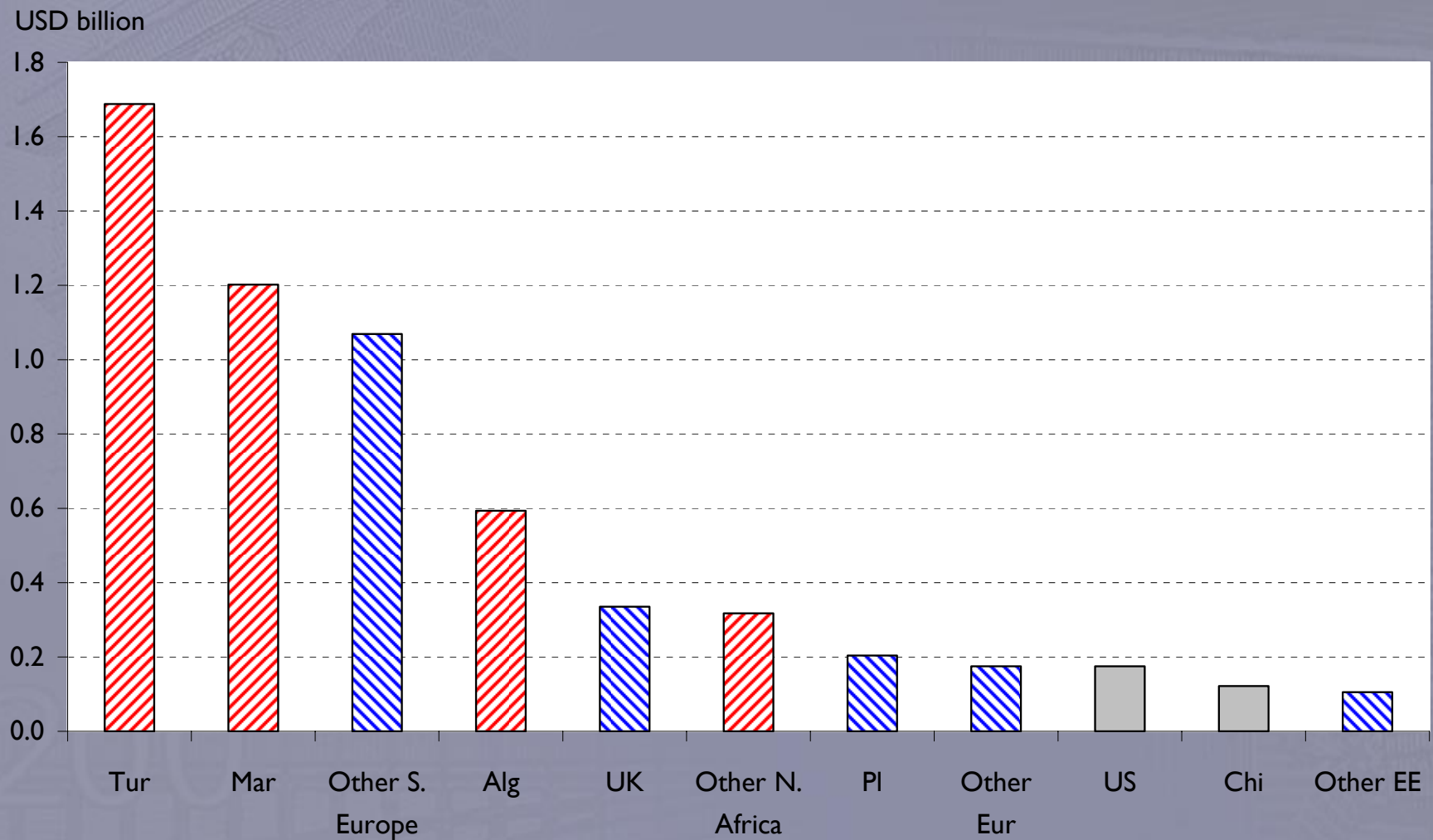
Source: OECD, Data refer to the 2000 census

Potential candidate countries include FYR Macedonia, Serbia and Montenegro, Bosnia and Herzegovina, Albania

Candidate countries include Romania, Turkey, Croatia, Bulgaria

Mediterranean countries include Syria, Libya, Tunisia, Lebanon, Jordan, Israel, Algeria, Egypt, Morocco

Euro area experience: remittances to ENR



Source: OECD

Economic impact for ENR countries

	Albania	Bosnia & Herzegovina	Bulgaria	Croatia	Romania	FYR of Macedonia	Turkey
<i>USD bn</i>	0.7	1.2	0.6	1.4	1.6	0.4	3.0
<i>% of GDP</i>	17.0	19.7	3.8	6.1	3.6	12.2	0.8
<i>% of FDI</i>	546.9	365.9	53.6	89.8	111.0	599.1	115.7
<i>% of Trade balance</i>	72.9	35.4	30.7	22.4	45.1	66.5	12.9

Source: IMF

	Egypt	Israel	Jordan	Morocco	Syria	Tunisia
<i>USD bn</i>	2.9	4.0	2.2	3.3	0.6	1.1
<i>% of GDP</i>	3.7	3.3	23.3	9.4	4.2	5.2
<i>% of FDI</i>	1268.6	99.7	615.3	177.7	82.0	240.6
<i>% of Trade balance</i>	71.7	163.8	115.9	94.4	66.7	57.4

Source: IMF

Economic impact for ENR countries

Table 1: Migration and Remittances – US and Mexico vs. Euro area and the Mediterranean¹⁾

	US and Mexico	Euro area and Mediterranean
Stock of migrants from the respective region (millions)	7.8	4.1
Total migration stock (millions)	35.0	21.1
Share of migrants from the respective regions in total migration stock	22.4 %	19.5 %
Percentage of migrants of the respective regions in total population of US/Euro area	2.8 %	1.3 %
Percentage of migrants of the respective regions in total population of Mexico/Mediterranean	7.9 %	2.1 %
Remittances (in USD billion)	7.6	3.5
Remittances as a share of recipient country's GDP	0.9 %	1.3 %
Remittances per migrant (in USD)	970	853

1) Algeria, Egypt, Morocco, Turkey

Source: Harrison (2004), IMF and ECB staff calculations.

Economic impact for ENR countries

- Remittances matter for ENR countries
 - stable source of income
 - stable source of foreign exchange for governments
 - provide finance for trade balances (deficits), exceed FDI
 - basis for securitisation of future flows by banks
- The few existing studies suggest:
 - consumption smoothing, less volatile than investment
 - partial productive use, suffers less from cap reversal
 - potential support for financial system development

But overall studies remain limited, so caution with results

Economic impact for euro area

- Remittances of small economic importance
 - compared to financial, external balances, GDP
- But some issues related to migration:
 - impetus to pension and social security contributions
 - skills transfer (labour)
 - labour market flexibility?

Concluding remarks

- Remittances are here to stay
- Measuring flows is extremely difficult
- Flows do not always go through financial systems
- Remittances are of critical importance to ENR
- The ECB contributes to
 - measuring the economic impact of migration
 - improving remittance data
 - developing general principles for remittance systems